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INFO RUEHUJA/AMEMBASSY ABUJA 0913
RUEHDK/AMEMBASSY DAKAR 0960
RUEHLC/AMEMBASSY LIBREVILLE 0678
RUEHLO/AMEMBASSY LONDON 1143
RUEHNM/AMEMBASSY NIAMEY 2418
RUEHFR/AMEMBASSY PARIS 1525
RUEHYD/AMEMBASSY YAOUNDE 0881
RUEATRS/DEPT OF TREASURY WASHDC
RUEHDC/USDOC WASHDC
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C O N F I D E N T I A L NDJAMENA 000181

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SUBJECT: CHAD AND WORLD BANK: TALKS ON OIL REVENUE
MANAGEMENT STUMBLE

REF: NDJAMENA 142 AND PREVIOUS

Classified By: Economic/Consular Officer Jitu Sardar for Reasons 1.4 (B)
) and (D)

¶1. (SBU) SUMMARY: Following the breakdown of talks between the Government of Chad (GOC) and the World Bank, both sides in N'Djamena privately indicate that the other is at fault. GOC representatives claim that World Bank President Wolfowitz reneged at the last minute on a proposal (agreed to by both parties, according to them) that entailed a partial lifting of the World Bank's freeze on the escrow account. The World Bank claims that Deby refused to accept any sort of comprise that did not include an unfreezing of the escrow account. While the two parties have agreed to meet again to continue the dialogue, no date has been determined. It is not clear how the GOC and World Bank can come to an agreement if they cannot reach an understanding on the status of the escrow account. END SUMMARY.

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GOC CLAIMS WORLD BANK RENEGED ON DEAL
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¶2. (U) Following the return of the GOC delegation from Paris, Ambassador paid a visit on Minister of Petroleum Mahamat Hassan and Minister of Finance Abbas Tolli on February 5 and 6, respectively. Tolli, who led the delegation, described the talks as frank and cordial, but regretted the lack of a positive outcome. He stated that the first day of talks, which included discussions of the GOC's budgetary needs and security concerns, demonstrated that both sides were committed to the goal of poverty alleviation.

¶3. (C) The second day of the talks, intended to discuss proposals to reach an eventual deal, turned to the freezing of the Citibank escrow account. According to Tolli, Robin Cleveland, Special Assistant to President Wolfowitz, initially presented a World Bank proposal that included a technical mission from the World Bank, a possible donor roundtable to solicit support from the international community, and a face-to-face meeting between President Deby and President Wolfowitz. At the same time, Tolli said, Cleveland noted that the World Bank would consider a "partial lifting" of the Bank's escrow account freeze, which would

free USD 12 million to assist short-term financing needs while the technical mission conducted its assessment.

¶4. (C) According to the Finance Minister, the GOC agreed in principle to the World Bank's proposal with President Deby's approval. However, according to Tollie, Cleveland returned to the meeting a few hours after making the proposal, and said that President Wolfowitz, who was in London at the time, had informed her that he would not consider any partial lifting of the freeze on the escrow account. When the delegation asked if Wolfowitz would reconsider his position, Cleveland noted that she would be unable to contact the President, who was by then en route from London to Washington. Tollie stated that upon realizing that talks were now at a deadlock, the GOC delegation decided to conclude the discussions, but to maintain contacts with the World Bank. Tollie noted he was disappointed with this outcome. What Tollie described as the decision by Wolfowitz to take back the proposal on the partial lifting of the escrow account represented a "regression," he believed.

¶5. (C) Minister of Petroleum Hassan echoed his colleague's views, but appeared much more critical of the World Bank's tactics. Hassan stated that the Bank took a much more aggressive approach in the negotiations, and refused to provide a comprehensive explanation as to why they were retracting their offer to partially unfreeze the escrow account. According to Hassan, Cleveland told him that the Bank was displeased with the GOC's request to Esso to refrain from depositing its January royalties in the escrow account. The Minister stated that it was difficult to reach an agreement with an actor that altered his negotiating position and refused to explain the rationale for it. Hassan added that the United States may be able to play a constructive

role in facilitating the negotiations. The Ambassador suggested that the GOC should agree to receive the technical mission now without preconditions. The Minister responded that the GOC did not reject the idea of a technical mission, but would not agree to it without a partial lifting of the escrow account freeze. Both Ministers mentioned that U.N. Secretary General Annan is involved in seeking to bring the

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two sides together.

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WORLD BANK PERSPECTIVE: DEBY TO BLAME
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¶6. (C) Immediately following the conclusion of talks in Paris on February 3, E/C Officer met with Acting World Bank Representative Joel Tonkingdong to ascertain the Bank's views on the negotiations. Tonkingdong admitted that he could not provide any specific details on the talks, as he, like the rest of Bank staff involved in these negotiations, was under a direct "gag-order" to refrain from speaking to anyone outside the Bank on the matter. Nevertheless, Tonkingdong told E/C Officer that the talks ended abruptly once the GOC learned that the escrow account would only be discussed after the evaluation by the proposed technical mission. According to Tonkingdong, it was Deby himself who instructed the GOC delegation to leave Paris once it was clear that an early lifting of the freeze on the escrow account would not be forthcoming. Tonkingdong added that as long as Deby continued to demand an unfreezing of the escrow account, the negotiations between the Bank and the GOC would be at an impasse.

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COMMENT
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¶7. (C) It is interesting that, according to these accounts, the status of the revised law was not raised in these talks. Clearly, the Chadian delegation has boxed itself into a corner with its insistence on partial unfreezing of the escrow account before any other actions are taken. The two

sides will need to reach an understanding on this issue
before talks can move forward.

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